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## Congress of the United States House of Representatives

COMMITTEES:

**COMMITTEE ON APPROPRIATIONS**

COMMERCE, JUSTICE, SCIENCE, AND  
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ENERGY AND WATER DEVELOPMENT  
SUBCOMMITTEE

FINANCIAL SERVICES AND GENERAL  
GOVERNMENT SUBCOMMITTEE

February 23, 2010

### **BREAKING THE CHAINS OF AMERICA'S FOREIGN DEBT! SUPPORT THE DEBT FREE AMERICA ACT**

Dear Colleague:

As we begin to debate how to address the federal government's long-term fiscal situation, as well as implementing tax reforms that will make our system of taxation more efficient and fair, I encourage you to consider cosponsoring H.R. 4646, the Debt Free America Act.

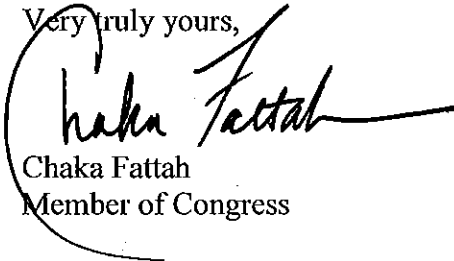
The U.S. economy depends heavily on foreign capital inflows from countries such as China with high savings rates to help promote growth and to fund the federal budget deficit. China has intervened heavily in currency markets to limit the appreciation of its currency, especially against the dollar. As a result, China is the world's largest and fastest growing holder of foreign exchange reserves. China's current U.S. Treasury securities holdings are valued at over \$1 trillion, which accounts for 24.3 percent of the total foreign ownership of U.S. Treasury securities.

Alarmingly, there is near unanimity in the consensus of economists, analysts, and policymakers that the U.S. debt is accumulating at an unsustainable rate. Similar to the mortgage meltdown that precipitated the worst financial crisis since the Great Depression, the easy money that is financing the exploding federal deficit will soon come to an end. As the Dallas Federal Reserve President Richard W. Fisher underscored in recent comments to the Federal Reserve, the willingness of China and unstable European economies like Greece to buy American debt will eventually wane as the perceived risk of holding long-term U.S. Treasury debt increases.

In order to avoid a financial crisis of epic proportions, Congress must take decisive action to implement a viable fiscal plan that will ensure long-term fiscal stability. The Debt Free America Act proposes Congress scrutinize the "fiscal imbalance" of the federal government by identifying the factors that affect the long-term stability of the U.S. economy, including analyzing potential courses of action, as well as providing specific policy recommendations. The bill further proposes to implement a 1 percent fee on all financial transactions, except for transactions involving stock, as well as retail transactions, which will immediately reduce the size of the national debt.

There is no question Congress must begin to make some hard choices now. If Congress fails to act, inflationary pressures triggered by staggering debt will create economic conditions unlike anything ever experienced in the history of this country, including the Great Depression. If you have any questions or would like to cosponsor this legislation, please contact my Legislative Director, Nuku Ofori, at [Nuku.Ofori@mail.house.gov](mailto:Nuku.Ofori@mail.house.gov) or by calling 225-4001.

Very truly yours,

A handwritten signature in black ink, appearing to read "Chaka Fattah", with a long horizontal flourish extending to the right. The signature is written over a faint circular outline.

Chaka Fattah  
Member of Congress